

## Message Text

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ACTION EB-04

INFO OCT-01 SS-14 ISO-00 EA-06 IO-06 TRSE-00 CIAE-00

INR-05 L-01 NSAE-00 OMB-01 SP-02 /040 W

-----020804 280839Z /14

R 280713Z DEC 77

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 1515

INFO USMISSION GENEVA

USUN NEW YORK 1101

C O N F I D E N T I A L KUALA LUMPUR 9873

LIMDIS

E.O. 11652: GDS

TAGS: EGEN, UNCTAD, UNGA, MY

SUBJECT: COMMON FUND: AMBASSADOR'S LUNCH WITH MUSA HITAM

REFS: A) STATE 304411, B) KUALA LUMPUR 9595

1. SUMMARY: AMBASSADOR, ACCOMPANIED BY DCM AND ECON COUNSELOR HAD DATUK MUSA HITAM, MINISTER OF PRIMARY INDUSTRIES, TO LUNCH ON DECEMBER 23. DATUK MUSA WAS ACCOMPANIED BY TAN SRI TENGKU NGAH, SECRETARY GENERAL, AND INDER SINGH KHOSA, UNDER SECRETARY, AMBASSADOR MADE POINTS LISTED IN REF A. DATUK MUSA EMPHASIZED MODERATING ROLE OF ASIANS AND IMPLIED THAT MALAYSIA'S INTEREST IN THE COMMON FUND AROSE MORE FROM ITS DESIRE TO RETAIN ITS CREDIBILITY AS A MEMBER OF G-77 THAN FROM ANY SIGNIFICANT DIRECT INTEREST ON MALAYSIA'S PART. THE MINISTER SAW NO NEED FOR AN EARLY INITIATIVE TOWARD RESUMPTION OF COMMON FUND NEGOTIATIONS. INSTEAD, HE SUGGESTED TIME SHOULD BE ALLOWED FOR TEMPERS TO COOL. END SUMMARY.

2. DATUK MUSA SAID HE WAS PLEASED WITH THE SUCCESS THE ASIANS, ESPECIALLY ASEAN, HAD HAD IN MODERATING THE APPROACH OF THE "HARD LINERS" (PRINCIPALLY AFRICANS) AND AVOIDING  
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ACRIMONY IN GENEVA. HE SAID, HOWEVER, THERE WERE LIMITS TO HOW FAR THE GOM COULD GO IN RESTRAINING THE HARDLINERS WITHOUT LOSING ITS CREDIBILITY AS A MEMBER OF G-77. HE DID NOTE THAT THE LATIN AMERICANS SEEMED TO HAVE LESS DIFFICULTY ON THIS SCORE AND APPARENTLY FAVORED CONTINUING THE TALKS.

3. DATUK MUSA CHARACTERIZED THE U.S. POSITION IN GENEVA AS INFLEXIBLE. HE SAID THE U.S. LAID OUT ITS POSITION ON A TAKE IT OR LEAVE IT BASIS AND REFUSED TO BUDGE. DATUK MUSA SAID THE GROUP B COMMON FUND PROPOSAL WAS NOT FOR A REAL COMMON FUND, BUT SIMPLY A POOLING ARRANGEMENT. ON THE OTHER HAND, HE ARGUED THAT THE G-77 HAD MOVED ITS POSITION CONSIDERABLY IN THE PROCESS OF NEGOTIATION, I.E., IT HAD DROPPED ITS EARLIER INSISTENCE ON INDEXING. AN IMPORTANT ELEMENT OF THE G-77 PROPOSAL, HOWEVER, WAS ITS INDEPENDENCE OF THE ICA'S. THIS WOULD ENABLE COUNTRIES THAT WERE NOT ABLE TO JOIN ICA'S TO BENEFIT THROUGH THE "OTHER MEASURES." WHEN QUESTIONED, NEITHER THE MINISTER NOR THE OTHER OFFICIALS HAD ANY IDEA WHAT THESE "OTHER MEASURES" MIGHT BE.

4. DATUK MUSA ALSO ARGUED THAT THE DIRECTOR OF THE G-77 COMMON FUND WOULD HAVE NO POLICY ROLE WITH RESPECT TO THE ICA'S, BUT THE DCM POINTED OUT THAT THE INFLUENCE OF THE FUND WOULD BE UNAVOIDABLE AS IT WOULD CONTROL THE PURSE STRINGS. THE OTHERS APPEARED TO ACCEPT THIS.

5. THE MINISTER SHOWED CONSIDERABLE APPRECIATION OF THE DIFFICULTY OF OBTAINING CONGRESSIONAL SUPPORT FOR A COMMON FUND. HE SAID IT MIGHT BE USEFUL FOR CONGRESSMEN TO BE INCLUDED ON THE U.S. SIDE FOR THE US-ASEAN MEETING IN JUNE IN WASHINGTON, SO THEY COULD HAVE THE G-77 POSITION EXPLAINED

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TO THEM DIRECTLY BY ASEAN OFFICIALS. DATUK MUSA REFERRED TO WHAT HE CONSIDERED THE BAD PSYCHOLOGICAL EFFECT OF THE G-77 COMING TO MEETINGS IN THE ROLE OF "BEGGARS," ASKING FOR BENEFITS, WHILE THE DEVELOPED COUNTRIES RESPOND BY TELLING THEM WHAT THEY WILL GIVE THEM. HE THOUGHT THIS WAS A BAD CONTEXT IN WHICH TO NEGOTIATE FOR BOTH SIDES, BUT COULDN'T THINK OF ANY SPECIFIC WAY TO CHANGE IT.

6. FINALLY, WHEN AMBASSADOR ASKED HIS OPINION ON NEXT STEPS, DATUK MUSA SAID HE BELIEVED EVERYONE SHOULD WAIT FOR AWHILE; THAT THERE SHOULD BE TIME FOR REFLECTION AND COOLING OF TEMPERS. COMMENT: IN THIS, AS AT OTHER TIMES DURING THE DISCUSSION, THE MINISTER GAVE THE DISTINCT IMPRESSION THAT HE WAS RELAXED ABOUT PURSUING THE COMMON FUND NEGOTIATIONS. THIS ATTITUDE IS CONSISTENT WITH MALAYSIA'S FORTUNATE SITUATION AS AN IMPORTANT PRODUCER OF SEVERAL COMMODITIES SUSCEPTIBLE TO INDIVIDUAL STABILIZATION AGREEMENTS. BUT IT MAY ALSO STEM FROM IMPENDING CABINET CHANGES, POSSIBLY INCLUDING MUSA HITAM, WHICH ARE RUMORED FOR EARLY NEXT YEAR.

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009